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SUBJECT: DUSTR VERONEAU SIGNS TIFA WITH URUGUAY

Classified By: Ambassador Frank Baxter for reasons
1.4 (b) and (d).

¶1. (C) Summary: DUSTR John Veroneau came to Uruguay on January 25-26 to sign a Trade and Investment Framework Agreement (TIFA) with Presidential Chief of Staff Gonzalo Fernandez. Accompanied by AUSTR Everett Eissenstat, Director Sue Cronin and Ambassador Frank Baxter, Veroneau met with Economy Minister Danilo Astori and Industry Minister Jorge Lepra, who were joined by Uruguayan Ambassador Carlos Gianelli, to chart the way forward. A lunch was also held with private sector representatives. What emerged from all meetings was a GOU commitment to move forward on the TIFA's work plan, with the goal of negotiating an FTA if conditions warrant. It was agreed to meet again in Washington in April to take stock of the progress. Veroneau also enlisted the GOU's help in working towards an agreement in Doha, which would generate meaningful trade flows. Post is very appreciative of the DUSTR's visit, which enhanced bilateral relations and confirmed the GOU's keen interest and political will in moving towards an FTA with the U.S. End Summary.

¶2. (C) The TIFA signing ceremony was followed by a press conference, in which most questions related to the workplan and the next steps. Veroneau explained that the two governments were committed to enhancing the trade relationship but steps would be taken one at a time. At a lunch with leading private sector representatives, Veroneau took stock of the private sector's keen interest in an FTA between the U.S. and Uruguay. The businessmen also noted the idiosyncracies of business in Uruguay, in particular the less than fluid labor market and the general lack of entrepreneurial spirit within the business community. On a positive note, one participant at the lunch noted that Uruguay's transparent legal system and respect for the rule of law created an attractive investment climate.

¶3. (C) At a meeting with Astori, Veroneau repeated President Bush's statement to President Vazquez at the White House in May 2006: "If you want an FTA, we also want one." Veroneau pointed out, however, that the USG needed to see a strong GOU commitment and that the GOU had to know fully well what it was getting into. "There will be no first step until we know we can take the last step," he said. Veroneau also made it clear that Mercosur issues were something for the GOU to

resolve and were not a factor for the U.S. Astori replied that the GOU "worried a lot about Venezuela's discourse" within Mercosur. Mercosur is becoming more political to the detriment of its economic foundation, Astori said, adding that "this is not the project we had signed onto initially." He praised the signing of the TIFA as a good step forward and a signal to Mercosur that Uruguay had passed the time for complaining and was now taking action. "This is not a game we are playing," he said, "and it is not a threat (to Mercosur), but it is rather an indication of the path forward for us." Uruguay's priority is "international insertion," Astori explained, and the TIFA is a first step in that direction. Astori also lamented that Mercosur's image had deteriorated internationally and he warned that "an open region does not work well with a bad image."

¶4. (C) Eissenstat and Cronin then outlined the workplan on the TIFA, proposing that talks start immediately on seven areas, proposals be exchanged between both sides, and a stocktaking of progress be taken at the next meeting of the Joint Council in April in Washington. Astori agreed to the proposals and introduced Director of Trade Policy Fernando Lorenzo as the point of contact within his ministry for the technical discussions. Veroneau closed the meeting by asking for GOU support in the Doha Round so that an agreement may be reached to generate "meaningful trade flows." Astori agreed that an agreement in Doha was paramount and pledged that the GOU would work to this purpose. He pointed out that services were of particular interest to Uruguay.

¶5. (C) Veroneau then met with Lepra, to whom he reiterated the USG's commitment to "go as far we can as quickly as we can." He noted, however, that the USG was looking for "informed consent" before embarking on an FTA. "An FTA is a good goal to have," he said, but he pointed out that the three FTAs pending congressional ratification (Peru, Colombia and Panama) were a priority before USTR would consider steps beyond the TIFA. He noted that the picture may be clearer by the time of the next Joint Council meeting in Washington and called for significant progress on texts in the interim. Points of contact must be identified quickly, Cronin noted, and she outlined the several areas where progress could be made. Veroneau noted that there were no deal breakers and suggested that any problematic area be set aside, so as to move forward on consensus areas. Lepra embraced the plan. The day ended with a dinner at the Ambassador's Residence for the two delegations.

¶6. (C) Comment: This was a very positive visit by DUSTR Veroneau and Post is very appreciative of the DUSTR's efforts. The visit confirmed the USG interest in enhancing the bilateral trade relationship. It provided an opportunity to emphasize the need for deep understanding by the GOU of the obligations and responsibilities of an FTA with the United States. The next steps will be determined by how quickly progress can be made on the TIFA's workplan. End Comment.

¶7. (C) Cable cleared by USTR delegation.
Baxter